

## Message Text

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73

ACTION XMB-07

INFO OCT-01 ARA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-02 L-03

NSC-10 PA-03 PRS-01 SS-15 USIA-12 RSR-01 /139 W

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R 232331 Z MAY 73

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 7555

INFO AMCONSUL GUAYAQUIL

LIMITED OFFICIAL USE QUITO 2748

E. O. 11652: N/ A

TAGS: EFIN, EC

SUBJECT: EXTERNAL CREDIT COMMITTEE

REF: STATE 95094

1. GOE REESTABLISHED THE EXTERNAL CREDIT COMMITTEE BY SUPREME DECREE 111 OF FEBRUARY 6, 1973, TO " COORDINATE AND EXECUTE POLICY ON FOREIGN INDEBTEDNESS". THE COMMITTEE' S PRINCIPAL FUNCTIONS ARE TO " APPROVE OR REJECT" APPLICATIONS BY GOVERNMENT ENTITIES TO CONTRACT FOREIGN DEBT; TO APPROVE DRAFT DECREES RELATING TO ISSUANCE OF GOVERNMENT DEBT INSTRUMENTS DENOMINATED IN FOREIGN CURRENCIES; TO APPROVE GOE GUARANTEES OF DEBT CONTRACTED BY GOVT ENTITIES; AND TO ISSUE REGULATIONS PERTINENT TO EXERCISING THESE FUNCTIONS. THE COMMITTEE MAY ALSO COORDINATE THE NEGOTIATION OF PARTICULAR FOREIGN LOANS OR APPOINT NEGOTIATORS.

2. THE MEMBERS OF THE COMMITTEE ARE THE MINISTER OF FINANCE ( PRE-SIDING OFFICER), MINISTER OF FOREIGN RELATIONS, PRESIDENT OF THE PLANNING BOARD, GENERAL MANAGER OF THE CENTRAL BANK, AND THE CABINET MINISTER RESPONSIBLE FOR THE AGENCY SEEKING THE LOAN. EACH OF THE MEMBERS HAS STATUTORY RESPONSIBILITIES CONTAINED IN THE LIMITED OFFICIAL USE

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MONETARY SYSTEM LAW, TREASURY LAW, AND OTHER LEGISLATION,  
RELATING  
TO FOREIGN LOANS. THUS CREATION OF THE COMMITTEE IS INTENDED TO  
ACHIEVE COORDINATION AMONG THE RESPONSIBLE AGENCIES, PROMPT DE-  
CISIONS, AND STRICT COMPLIANCE WITH STATUTORY RESPONSIBILITIES.  
DECREE 111 DOES NOT ITSELF CONFER SUCH RESPONSIBILITIES ON THE  
COMMITTEE MEMBERS. THE MEMBERS WERE, BEFORE FEBRUARY, AND STILL  
ARE CHARGED SEPARATELY WITH PASSING JUDGMENT ON FOREIGN LOANS.

3. THE EXTERNAL CREDIT COMMITTEE PREVIOUSLY EXISTED FROM THE MID-  
60' S TO 1970, WHEN IT WAS ABOLISHED BY PRESIDENT VELASCO IBARRA  
AFTER HIS ASSUMPTION OF DICTATORIAL POWERS. THERE ARE A NUMBER OF  
REASONS WHY THE COMMITTEE WAS REESTABLISHED. IT SOMETIMES  
OCCURRED  
THAT A MINISTER OR AGENCY CHIEF GAINED THE APPROVAL OF HIS  
COLLEAGUES  
FOR FOREIGN LOANS AT HIGH INTEREST RATES OR FOR PURPOSES  
INCONSISTENT  
WITH NATIONAL PRIORITIES. THIS NOW BECOMES MORE DIFFICULT. WE ALSO  
UNDERSTAND THAT THE PLANNING BOARD WAS SEEKING TO WREST PRIMARY  
CONTROL OVER FOREIGN INDEBTEDNESS FROM THE MINISTRY OF FINANCE.  
CREATION OF THE COMMITTEE GIVES AN APPEARANCE OF EQUAL RESPONSI-  
BILITY TO THE PLANNING BOARD BUT IN FACT IS A VICTORY FOR FINANCE.  
IN THE PREVIOUS INCARNATION THE PLANNING BOARD PROVIDED THE  
COMMITTEE' S

SECRETARIAT. FINANCE WILL PERFORM THAT FUNCTION NOW.

4. THE EXTERNAL CREDIT COMMITTEE IS NOT EMPOWERED TO CONTROL  
PRIVATE DEBT. THE COMMITTEE WILL PROBABLY DISAPPROVE SOME ATTEMPTS  
BY GOVERNMENT ENTITIES TO INCUR DEBT, BUT GOVERNMENT POLICY ON  
FOREIGN DEBT WILL PROBABLY CONTINUE TO BE FORMULATED IN THE CENTRAL  
BANK, THE MONETARY BOARD AND THE CABINET. ONCE A LOAN PROPOSAL IS  
APPROVED, IT IS OUT OF THE COMMITTEE' S HANDS. THE COMMITTEE' S  
APPROVAL ENTAILS A JUDGMENT THAT FOREIGN EXCHANGE IS AVAILABLE FOR  
DEBT SERVICING ( OTHERWISE THE COMMITTEE SHOULD REJECT THE LOAN),  
BUT IT IS NO ASSURANCE THAT THE BORRWOING ENTITY WILL PAY. HENCE  
COMMITTEE APPROVAL IS NO SUBSTITUTE FOR A FIDEICOMISO ARRANGEMENT  
OR A MINISTRY OF FINANCE GUARANTY.

5. WE HAVE POUCHED COPIES OF DECREE 111 TO EXIMBANK AND ARA- LA/ EP.  
CHAPLIN

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NMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE



## Message Attributes

**Automatic Decaptioning:** X  
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**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
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**Copy:** SINGLE  
**Draft Date:** 23 MAY 1973  
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**Disposition Date:** 28 MAY 2004  
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**Secure:** OPEN  
**Status:** <DBA CORRECTED> gwr 980227  
**Subject:** EXTERNAL CREDIT COMMITTEE  
**TAGS:** EFIN, EC  
**To:** GUAYAQUIL  
SECSTATE WASHDC  
XMB  
**Type:** TE  
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